

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1434 - HB 1936

March 31, 2011

SUMMARY OF BILL: Requires payor banks to process items properly payable against the account of a customer in sequential order as indicated by the numbers on the bank drafts on the day items are charged. Places limits on handling charges for insufficient funds if items are not processed sequentially. Banks which violate these provisions shall be assessed a fine of \$2,500 per infraction by the Commissioner of Financial Institutions. The Commissioner shall conduct a hearing prior to imposing the fine.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$10,000/Recurring

**Increase State Expenditures – \$4,100/One-Time
\$204,900/Recurring**

Assumptions:

- According to the Department of Financial Institutions, three additional examiners would be required to carry out the regulatory functions required by the bill.
- Recurring expenditures for salary and benefits for three examiners will be \$203,342 (\$121,212 salary + \$42,605 benefits + \$31,800 travel + \$7,725 related costs). One-time costs for equipment and training will be \$4,050.
- The Department will initiate administrative actions in approximately four cases per year at an average cost of \$382 per hearing (based on the average cost of a hearing in FY08-09). The total recurring cost to the Department for such hearings will be \$1,528 per year (\$382 x 4 cases).
- The Department will impose the \$2,500 fine in each of the four cases involving administrative action, resulting in recurring state revenue in the amount of \$10,000 (\$2,500 x 4 cases).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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